

In its simplest form, dollar-cost averaging (DCA) is an investment strategy where a specified amount of money is invested in the same asset on a consistent basis. One can invest in a single security or a basket of securities; one can invest weekly, monthly, or with every paycheck, any increment works as long as it's consistent over time and done regardless of changes in the price of the investment. If you automatically contribute to a retirement or other investment account, you are dollar-cost averaging.

WHAT ARE THE PROS?

- Enables those without an initial large lump sum to participate in the capital markets and begin to build wealth.
- Potentially lowers your average cost; if the price of a security declines, more shares can be purchased for the same dollar investment, thereby increasing your longer-term return should the share price eventually move higher, as illustrated in Table #1 on following page.
- Removes emotion from investment decisions and can therefore help investors stick to a plan despite any uncertainty and heightened market volatility.

WHAT ARE THE CONS?

- May not maximize investment returns, particularly during a bull market, as illustrated in Table #2 on following page.
- Potentially pay higher trading fees.
- Not a substitute for conducting robust research in an effort to identify solid investments; does not mitigate the risks of investing.

Dollar-cost averaging is one of many ways to invest, with its value-add dependent on the initial investment amount, the investor's risk tolerance, and how much time one desires to research and analyze both individual stocks and the markets at large. Dollar-cost averaging may not always maximize returns, but it does encourage consistent investing regardless of the market environment, which can help build wealth over the long term.

Overall, we believe investors should remain focused on their long-term investment goals and **always remember: It's time in the market, not timing the market, that builds long-term wealth.**

All investing involves risk and principal loss is possible. Any investment should be made with an understanding of the various risks associated with that investment. Dollar-cost averaging does not assure a profit or protect against loss. See following page for various examples of dollar-cost averaging and additional important information.

Table 1: Hypothetical Example: Lump Sum vs. DCA in a Volatile Market

	SINGLE LUMP SUM INVESTMENT			DCA WITH EQUAL MONTHLY INVESTMENTS		
	\$ Investment	Price	# shares	\$ Investment	Price	# shares
Investment 1	\$12,000	\$100	120.000	\$1,000	\$100	10.000
Investment 2				\$1,000	\$90	11.111
Investment 3				\$1,000	\$85	11.765
Investment 4				\$1,000	\$80	12.500
Investment 5				\$1,000	\$90	11.111
Investment 6				\$1,000	\$95	10.526
Investment 7				\$1,000	\$90	11.111
Investment 8				\$1,000	\$85	11.765
Investment 9				\$1,000	\$80	12.500
Investment 10				\$1,000	\$90	11.111
Investment 11				\$1,000	\$95	10.526
Investment 12				\$1,000	\$98	10.204
# of Shares			120.000			134.23
Average Share Price		\$100			\$89.833	
Cost Basis	\$12,000			\$12,000		
Final Price		\$100			\$100	
Final Value of Investment	\$12,000			\$13,423		

For Illustrative Purposes Only.

These are simple, hypothetical examples and do not reflect any type of dividend or income reinvestment, or fees and expenses incurred. Data is not indicative of any AAM product. Any investment should be made with an understanding of the various risks associated with that investment. Dollar-cost averaging does not assure a profit or protect against loss.

All investing involves risk and loss of principal is possible.

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Table 2: Hypothetical Example: Lump Sum vs. DCA in a Bull Market

	SINGLE LUMP SUM INVESTMENT			DCA WITH EQUAL MONTHLY INVESTMENTS		
	\$ Investment	Price	# shares	\$ Investment	Price	# shares
Investment 1	\$12,000	\$100	120.000	\$1,000	\$100	10.000
Investment 2				\$1,000	\$102	9.803
Investment 3				\$1,000	\$104	9.615
Investment 4				\$1,000	\$106	9.433
Investment 5				\$1,000	\$108	9.259
Investment 6				\$1,000	\$110	9.091
Investment 7				\$1,000	\$112	8.929
Investment 8				\$1,000	\$114	8.772
Investment 9				\$1,000	\$116	8.621
Investment 10				\$1,000	\$118	8.475
Investment 11				\$1,000	\$120	8.333
Investment 12				\$1,000	\$125	8.000
Total # of Shares			120.000			108.331
Average Share Price		\$100			\$111.25	
Cost Basis	\$12,000			\$12,000		
Final Price		\$127			\$127	
Final Value of Investment	\$15,240			\$13,758		